

Message Text

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PAGE 01 STOCKH 00727 110905Z

46

ACTION EB-07

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 PRS-01 PA-01 IO-11

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R 110815Z FEB 76

FM AMEMBASSY STOCKHOLM

TO SECSTATE WASHDC 6762

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BURSELS

AMEMBASSY CANBERRA

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY HAGUE

AMEMBASSY TOKYO

USLO PEKING

AMEMBASSY SEOUL

C O N F I D E N T I A L STOCKHOLM 0727

E.O. 11652: GDS

TAGS: EFIN, ETRD, NK, SW

SUBJECT: SWEDISH DEBT RESCHEDULING AGREEMENT WITH NORTH KOREA

REF: (A) STOCKHOLM 0548, (B) STOCKHOLM 0355, (C) STOCKHOLM 0171

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PAGE 02 STOCKH 00727 110905Z

1. AXEL WALLEN, MANAGING DIRECTOR OF SWEDISH EXPORT

CREDIT GUARANTEE BOARD, GAVE EMBOFF FEBRUARY 9 THE FOLLOWING INFORMATION ON THE SUBJECT AGREEMENT, WHICH HE SAID HAD BEEN PROVIDED TO AMERICAN REPRESENTATIVES OF US EXIMBANK AND FCIA WHO ATTENDED RECENT BERNE UNION MEETING IN MUNICH:

A. SWEDEN WILL POSTPONE FOR TWO YEARS THOSE DEBTS FALLING DUE IN 1975, 1976, AND 1977, WHICH TOGETHER TOTAL ABOUT SKR 230 MILLION (\$US EQUALS 4.35 KRONORS);

B. RESCHEDULED DEBT AGREEMENT WILL GO INTO EFFECT JULY 1, 1976, PROVIDED NORTH KOREA MEETS SWEDISH REQUIREMENT THAT PREPAYMENT CHARGES, SHORT TERM CREDITS DUE, AND PAYMENTS AGAINST DOCUMENTS, WHICH TOGETHER TOTAL ABOUT SKR 45 MILLION, ARE PAID BEFORE DATE WHEN AGREEMENT TAKES EFFECT. WALLEH SAID "MEETING THIS CONDITION WILL BE A REAL TEST OF NORTH KOREAN INTENTIONS AND GOOD FAITH."

C. PENALTY INTEREST RATE ON RESCHEDULED DEBT WILL BE AROUND 7.0 PERCENT (PRECISE FIGURE WAS NOT GIVEN, ALLEGEDLY AT NORTH KOREAN REQUEST), FOLLOWING LINES OF NORTH KOREA'S EARLIER AGREEMENT WITH AUSTRIA. COMMENT. INTEREST RATE MAY BE BEEN SLIGHTLY BELOW 7.0 PERCENT. END COMMENT.

2. WALLEH SAID HE HAD TELEPHONE REPRESENTATIVES OF FRANCE, GERMANY, BELGIUM, THE NETHERLANDS, AND FINLAND BEFORE SIGNING AGREEMENT. GERMAN, BELGIAN AND FINNISH REPRESENTATIVES, ACCORDING TO WALLEH, SUPI
TED SWEDISH POSITION TO FINALIZE AGREEMENT
ON BASIS OF PARA 1 CRITERIA.

3 IN RESPONSE TO EMBOFF'S QUESTIONS, WALLEH SAID HE UNDERSTAND USG VIEWS AND ADDED THAT AGREEMENT WAS ESSENTIALLY COMMERCIAL IN NATURE, BILATERAL, AND NON-GOVERNMENT, ALTHOUGH SWEDISH EXPORT CREDIT GUARANTEE BOARD (SECGP) WAS SEMI-GOVERNMENT AND COULD NOT AVOID BEING A PARTY BECAUSE UNDER THEIR INSURANCE JSROGRAM, SKR 18 MILLION HAVE BEEN PAID DURING LAST SIX MONTHS TO SWEDISH FIRMS. WALLEH NOTED THAT GERMAN
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PAGE 03 STOCKH 00727 110905Z

INSURANCE BANK HAS TO DATE BEEN ABLE TO AVOID PAYING INSURANCE AND HENCE GERMAN NEGOTIATIONS WERE SOMEWHAT DIFFERENT FROM SWEDISH SITUATION. ASKED ABOUT FRENCH PROPOSAL FOR A PARIS CLUB CREDITOR MEETING, WALLEH SAID SWEDES WOULD SEND AN EMBASSY OBSERVER, IF A MEETING IS CONVENED.

4. WALLEH COMMENTED FURTHER THAT TEN DAYS OF DISCUS-

SIONS WERE NOT EASY AND THAT AGREEMENT WAS REALISTIC
IN TERMS OF NORTH KOREAN SITUATION. HE THOUGHT
FRENCH OBJECTION TO SWEDISH AGREEMENT WAS THE TWO-
YEAR DELAY IN PAYMENT FOR THE 1977 MATURITIES AND
NOT THE INTEREST RATE.
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